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SUBJECT: PARAGUAY: SENATOR CORNYN VISITS TRI-BORDER REGION

11. SUMMARY: Senator John Cornyn-R Texas visited the tri-border area of Paraguay, Brazil and Argentina on July 1-3. In Brazil, Cornyn met with Brazilian Revenue officials to discuss their challenges in dealing with contraband and illicit goods transported over the Friendship Bridge that connects Paraguay and Brazil. In Ciudad del Este, Senator Cornyn met Paraguay's Attorney General Ruben Candia Amarilla, who briefed him on key Public Ministry cases and provided a tour of the warehouses that store seized contraband and goods. In addition, the Senator met with SENAD anti-drug officials, attended a lunch with business representatives from the region, and received a tour of the bi-national Itaipu Hydroelectric Dam. END SUMMARY.

* Paraguay's Fight Against Contraband, Crime, and Corruption

12. On July 1-3, 2006 Senator John Cornyn-R Texas accompanied by his Foreign Affairs Advisor, Russ Thomasson, visited the tri-border region of Paraguay and Brazil to gain a better understanding of the region's issues and challenges. The Senator sits on several subcommittees that provide oversight for matters involving the region, including the Armed Services Committee's Subcommittee on Emerging Threats and Capabilities, which he chairs, the Judiciary Committee's Subcommittee on Immigration, Border Security, and Citizenship, which he also chairs, and Subcommittees on Intellectual Property and on Terrorism, Technology, and Homeland Security. Consul General Sao Paulo Chris McMullen and one control officer from the Consulate also accompanied the delegation. On July 2, Senator Cornyn met with Jose Carlos Araujo, the regional director for Brazil's combined revenue and customs agency (Receita Federal). This meeting to be reported septel by Sao Paulo. In Ciudad del Este (CDE), Senator Cornyn met Paraguay's Attorney General Ruben Candia Amarilla and toured the regional offices of the Public Ministry and its warehouses where seized contraband and goods are stored. Candia provided the Senator with an overview of Paraguay's challenges in combating piracy and contraband in the area. Many of the prosecutors assigned to the region were also present to meet with the Senator.

13. DEA Attach David Hathaway briefed Senator Cornyn on country-specific drug trafficking issues and on the activities of the National Anti-Drug Secretariat (SENAD) during a tour of the SENAD office in Ciudad del Este and during a tour of the offices of the Fiscalia (prosecutor's office). Specific issues discussed were the improvements needed on the chain-of-custody for evidence, the advantages of co-locating the criminal justice elements in one dedicated location, and a needed increase of personnel dedicated to drug investigations. Also discussed was the tendency for drugs to leave the country via Pedro Juan Caballero and for money and

merchandise to flow into Ciudad del Este from the sale of the drugs.

* Business Community Working for Change

¶4. Senator Cornyn had lunch with a number of area business people, including the Executive Director of the local affiliate of the Paraguayan-American Chamber of Commerce, a German land owner with a very successful fruit concentrate business, a Lebanese-origin naturalized American citizen who exports wood moldings and other products to the US, the Vice President of the Information Technology Business Chamber, and the Government Affairs Director of Archer Daniels Midland. A common theme was that Ciudad del Este is in a state of flux, with increased enforcement by Brazil over the last several years and declining cost and availability differentials reducing the amount of tri-border commerce significantly. Senator Cornyn expressed his belief that Latin America is of great importance to the US, and that US foreign policy ought to focus more attention on the region

¶5. The Lebanese-American estimated that the Lebanese population in the area had dropped from 20,000 to around 4,000 as people have moved elsewhere in search of better commercial opportunities. The IT sector worked with the government and with USAID to develop a plan to change customs procedures and the way taxes were collected to help the industry become profitable while formalizing. The initiative appears to be working, but developing it required proactive engagement with the government. The German entrepreneur has been highly successful over 20 years, but commented that she wouldn't invest today given the numerous bureaucratic obstacles to doing business in Paraguay and the constant risk of arbitrary actions by the political class.

¶6. Comment: The diverse group of businesspeople represented at the lunch demonstrated that legitimate business can exist and even thrive in CDE. However, Brazil's impending transition to 100 inspection at their end of the Friendship Bridge and future GOP policy toward wholesale commerce will largely dictate whether CDE transitions to a mostly legal, formal economy without significant social dislocation. End Comment.

¶7. The Senator ended his visit in CDE with a tour of the Itaipu Hydroelectric Dam, where he received briefings on how the world's second largest dam was constructed and maintained. In addition, the tour provided information on the large amount of power that is generated for both Paraguay and Brazil - Itaipu has the largest generating capacity of any dam in the world (over 18 megawatts) and electricity.

¶8. This cable was coordinated/cleared by Embassy Asuncion, Consulate Sao Paulo, the Chief of the U.S. Army Liaison to the Senate (Barbero), and the Office of Senator John Cornyn.
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